

Portland Public School District 1st Reading

DATE: May 28, 2019

Public Comment for the following: Policy 8.10.025-P Reserve Funds Policy

The Portland Public School District is providing Notice of Proposed Policy Amendment to offer interested parties reasonable opportunity to submit data or comments on the proposed policies noted below.

Public comment may be submitted in writing directly to the district or through the district website noted below. Written comments must be submitted by 5:00pm on the Last Date for Comment listed below.

1st Reading by: Rita Moore, Chair

Portland Public School Board

Summary: Reserve Funds Policy Amendment

Draft Policy Web Site: <https://www.pps.net/Page/11911>

Recommended for 1st Reading by: Board of Education

Policy Contact: Rosanne Powell, Board Office Manager

Last Date for Comment: June 18, 2019

Address: P.O. Box 3107, Portland, OR 97208-3107

Telephone: 503-916-3741

E-mail: schoolboard@pps.net

Last Date for Comment: June 18, 2019



Staff Analysis and Report to the Board

Board Meeting/Work Session Date: May 16, 2019

Senior Lead: Claire Hertz, Deputy Superintendent, Business & Operations

SUBJECT:

8.10.025-P Reserve Funds Policy

I. BACKGROUND

In 2017, the Board revised the Reserves Policy to reflect its desire to strengthen the financial stability of the District so that it could be better insulated from the fluctuations of the market and state funding. Drawing from suggestions made by the Community Budget Review Committee (CBRC), the Board adopted Resolution 5447 to establish a minimum target of a 5% operating contingency in the general fund by June 30, 2020 and a 10% operating contingency by June 30, 2025.

Although the District has attained greater stability, amendments needed to be made to the current policy to better align the 2019-2020 budget to the policy. Additional amendments were suggested to further clarify expectations and timelines around replenishment of expended funds as well as the development of a multi-year financial plan.

II. RELATED POLICIES/BEST PRACTICES

Government Finance Officers Association recommends developing targeted goals as a best practice to insure financial stability.

III. ANALYSIS OF SITUATION

The purpose of these changes is to ensure alignment between the policy and the 2019-2020 budget. Additionally, the amendments clarify the method by which the District will develop and realize a long-term fiscal plan of a 10% reserve by the year 2025.

IV. FISCAL IMPACT

Establishment of a 10% General Fund reserve fund will ensure a sustainable financial plan for the district. Sufficient reserve funds ensure adequate cash flow and provide continuity in service delivery.

V. COMMUNITY ENGAGEMENT (IF APPLICABLE)

District staff discussed these amendments with community partners, specifically the CBRC committee.

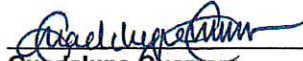
VI. TIMELINE FOR IMPLEMENTATION/EVALUATION

The Board of Directors will be asked to adopt a multiyear financial plan by December 2019. This plan will include the goal of reaching the 10% reserve level by 2025. The financial plan will be updated on an annual basis to inform the annual budget.

VII. STAFF RECOMMENDATION

Staff supports the amendments made to this policy.

VIII. I have reviewed this staff report and concur with the recommendation to the Board.



Guadalupe Guerrero
Superintendent
Portland Public Schools

5/24/19

Date

ATTACHMENTS

- A. Board Policy Reserve Funds 8.10.025-P-redlined
- B. Board Policy Reserve Funds 8.10.025-P clean copy

Board Policy Contingencies and Reserve Funds 8.10.025-P

1. The Board understands that to avoid financial instability, continuing expenditure requirements should be insulated from typical fluctuations in revenues and expenditures.
2. ~~It is the goal of the Board to fund and maintain a reserve an operating contingency in the general fund that shall range from 5% to at a minimum is 10% of annual general fund reserves expenditures. The Board shall establish an annual operating contingency each fiscal year during the budget process. The goals for the reserve operating contingency will be set as part of the District's long-range financial plan, with an expectation that the District will achieve and sustain a 10% contingency reserve. The Board shall establish an annual operating contingency each fiscal year during the budget process.~~
3. ~~The Board resolves to establish this minimum target of a 5% operating contingency in the general fund by June 30, 2020 and 10% operating contingency in the general fund by June 30, 2025. When the minimum level of operating contingency has been established and maintained for at least three years, the Board will consider establishing an additional reserve. The Board may choose to establish such a reserve sooner.~~
- 2.4. _____
- 3.5. _____ Contingencies and reserves will be established pursuant to ORS 294.388. Subsequent interfund transfers from contingency will be made in accordance with ORS 294.463. Staff or the Board may request the transfer of contingency funds up to a combined total of 10% of the total appropriations authorized in the fund. These transfers are within the authority of the Board to may authorize by resolution transfers of contingency funds of up to 15%. Transfers that exceed 15% may be made only after Board approval and adoption of a supplemental budget for that purpose.
- 4.6. _____ Reserves generally should not be used for new or increased operating costs or investments. Reserves may be used at the discretion of the Board to address one-time emergencies and unanticipated expenditure requirements or to offset unanticipated revenue fluctuations occurring within a fiscal year. In the event that reserves are expended, there will be a plan to replenish the expended funds within three fiscal years.
7. Reserves are the fund balances carried over from year to year and contingency funds are annually budgeted and reflected in current year fund balances.

Legal References: ORS 294.388, ORS 294.463. History: Adpt. 4/8/02; Rev. 4/19/17; Rev. 6/5/2019



Board Policy

8.10.025-P

Reserve Funds

1. The Board understands that to avoid financial instability, continuing expenditure requirements should be insulated from typical fluctuations in revenues and expenditures.
2. It is the goal of the Board to fund and maintain a reserve in the general fund that shall range from 5% to 10% of annual general fund reserves. The goals for the reserve will be set as part of the District's long-range financial plan, with an expectation that the District will achieve and sustain a 10% reserve. The Board shall establish an annual operating contingency each fiscal year during the budget process.
3. Contingencies and reserves will be established pursuant to ORS 294.388. Interfund transfers from contingency will be made in accordance with ORS 294.463. The Board may authorize by resolution transfers of contingency funds of up to 15%. Transfers that exceed 15% may be made only after Board approval and adoption of a supplemental budget for that purpose.
4. Reserves generally should not be used for new or increased operating costs or investments. Reserves may be used at the discretion of the Board to address one-time emergencies and unanticipated expenditure requirements or to offset unanticipated revenue fluctuations occurring within a fiscal year. In the event that reserves are expended, there will be a plan to replenish the expended funds within three fiscal years.
5. Reserves are the fund balances carried over from year to year and contingency funds are annually budgeted and reflected in current year fund balances.

Legal References: ORS 294.388, ORS 294.463. History: Adpt. 4/8/02; Rev. 4/19/17; Rev. 6/2019